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UNITED STATES TARIFF COMMISSION
Washington, D. C.

TRADE AGREEMENT DIGESTS

Volume V

SUGAR, MOLASSES, AND MANUFACTURES

Prepared by the Tariff Commission for use in connection
with trade agreement negotiations

November 1946

List of Volumes in this Series

- Volume I - Chemicals, Oils, and Paints
- Volume II - Earths, Earthenware, and Glassware
- Volume III - Metals and Manufactures
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SUGAR, MOLASSES, AND MANUFACTURES

Introduction

This volume contains six digests of pertinent information on commodities dutiable under schedule 5 of the Tariff Act of 1930, which have been listed (up to September 15, 1946) by the Trade Agreements Committee for consideration in the proposed trade-agreement negotiations with those foreign countries which have been invited to participate in the so-called "nuclear" group. Similar volumes have been or are being prepared by the Tariff Commission on commodities dutiable under other schedules of the tariff act, which have been listed for these negotiations. Those products on the Free List of the tariff act which are subject to import-excise taxes are treated as dutiable commodities and are covered by digests which appear in the volumes for the tariff schedules to which such products are most nearly related. In addition, a special volume will be issued covering all commodities on the Free List (other than those subject to import-excise taxes) which have been listed for the negotiations.

Schedule 5 of the tariff act provides for all types of sugar, sirups, molasses, and confectionery. All dutiable items under schedule 5, except dextrose and dextrose sirup and saccharides other than salicin (negligible import items), have been listed for consideration in the negotiations and are covered by the digests contained in this volume.

United States production ^{1/} of the commodities covered by this schedule (including items not listed for the proposed negotiations) averaged about 720 million dollars a year during the period 1935-39. The production amounted to 740 million dollars in 1939 and to 1,200 million dollars in 1944. Sugar (cane and beet) accounted for approximately 55 percent of the production in 1935-39 and confectionery, excluding the value of sugar used in its production, accounted for about one-third of the total.

Imports dutiable under this schedule, together with duty-free imports of sugar from the Philippine Islands, amounted to an annual average of about 156 million dollars (foreign value) during the five prewar years (1935-39), to 135 million dollars in 1939 and to 278 million dollars in 1944. During 1935-39 cane sugar and molasses accounted for over 95 percent of the total imports under schedule 5. Imports of cane sugar entered free of duty from the Philippine Islands averaged over 50 million dollars a year during this period and accounted for about one-third of the total imports under this schedule. The great bulk of the remainder of the imports consisted of cane sugar and molasses from Cuba, which are dutiable at rates lower than those applicable to imports from other countries except the Philippine Islands. Comparatively small imports of sugar came from other Caribbean countries during the 1935-39 period and were dutiable at the general rates provided in the tariff act. In the aggregate, the foreign value of imports under schedule 5 was equivalent to about 18 percent of the value of United States consumption of the same products during that period.

The value of United States production and imports of sugar (including liquid sugar) before the war were determined primarily by the quota system first established under the Jones-Costigan Act of 1934 and continued under the Sugar Act of 1937. Under this quota system, import duties have had little if any effect on the price of sugar in the United States or on the volume of imports.

United States exports of sugar, molasses, and manufactures averaged less than 2 percent of the domestic production (including that of Hawaii and Puerto Rico) during the period 1935-39 and were equivalent to about 5 percent of the aggregate foreign value of imports. More than half of the exports consisted of cane sugar and about one-fifth of dextrose and dextrose sirup. Exports of sugar and manufactures went to numerous foreign countries but the United Kingdom was consistently one of the principal markets.

^{1/} Including shipments of sugar and molasses from Puerto Rico and Hawaii to the mainland.

The ratio of the duties collected on all imports of the commodities under schedule 5 to the foreign value of such imports, excluding duty-free imports of sugar from the Philippine Islands, was 44 percent in 1937 and 50 percent in 1939. The increase in the ratio was due principally to the lower unit values of imports which prevailed in 1939.

Imports of the items dutiable under schedule 5, which are listed for consideration in the proposed negotiations and covered by the digests contained herein, represent more than 97 percent (based on 1939 imports) of the total dutiable imports under this schedule. ^{1/} As already indicated, the great bulk of the imports consist of cane sugar and molasses.

Explanatory Notes

The digests presented herein have been kept as brief as possible and contain only the data most pertinent to an understanding of the international competitive situation with respect to the various products. It was obviously impractical to include all the facts pertaining to the many commodities listed for consideration. Supplementing the data given in the digests, and available for use in the negotiations, is the extensive information contained in the files of the Commission and in its numerous published reports, as well as the knowledge and experience of its staff.

Most of the digests give statistics of United States production, exports, and imports (total and by principal sources) for the three prewar years, 1937, 1938, and 1939 and for one war year, 1943. In the case of some commodities the statistics cover a much longer period. Where statistics of production or of exports of a particular commodity are not available, estimated figures, or some other indication of the relative importance of production and exports as compared with imports, are given when possible. Frequently a digest covers more than one statistical import class. In such cases, if the imports are significant, a supplementary table is given, showing for 1939, or some other representative prewar year, statistics of United States imports by individual statistical classes, by principal country of origin. Where exports under lend-lease are substantial, as well as where imports free for Government use, or free as an act of international courtesy, or free under special provisions of the Tariff Act of 1930 are substantial, they are indicated in footnotes to the tables.

Import values are in practically all cases foreign values, i.e., they do not include duties, transportation costs, and certain other charges incident to the shipment of products from the foreign country to the United States. These values, therefore, are not strictly comparable with the values shown for United States production (which are usually the sales value of the product of the plant) or for exports (which represent the actual selling price including inland freight and other charges to the port of exportation).

The countries which are the principal sources of imports are generally listed in the table in the order of the magnitude (by value) of imports from them in 1939; and names of the proposed negotiating countries are shown in capital letters.

^{1/} Items which in 1939 accounted for 93 percent of the total value of dutiable imports under schedule 5 (not including duty-free imports of sugar from the Philippine Islands) are subject to reduced duties provided in the trade agreements in effect on April 1, 1945.

The digests show for each item the rate of duty provided in the Tariff Act of 1930 and the 1945 (January 1) rate. Changes in the duty since the act of 1930 became effective are shown in detail in footnotes. When it is significant, the ad valorem equivalent (or the specific equivalent) of each rate of duty is given in a general note following the section on tariff rates.

In the case of many of the schedules, rates of duty on certain commodities were reduced by the trade agreements with the United Kingdom and Canada, effective January 1, 1939. The economic conditions in these countries and throughout the world were so disturbed in 1939, as the result of preparations for and actual outbreak of war, that the statistics of United States imports for that year cannot be taken as indicating what would have been the effects of these duty reductions under peacetime conditions; the import data for the war years are still less indicative of what would have been these effects.

SUGAR, CANE AND BEET

Stat. import classes (1939): 158.75-158.00, 161.75-161.00

United States production, exports, and imports, in specified years, 1925-43

Year	Production ^{1/}	Domestic exports ^{2/}	Imports for consumption from--				
			All countries	CUBA	Philippine Islands ^{3/}	Peru	Dominican Republic
Quantity (1,000 short tons)							
1925 -	2,533	379	4,433	3,911	493	1	4/
1927 -	2,923	125	4,238	3,691	531	4/	-
1929 -	3,119	103	4,382	3,650	711	4/	1
1931 -	3,475	53	3,260	2,409	818	-	9
1933 -	4,202	50	2,834	1,552	1,230	16	8
1935 -	3,623	114	2,955	1,995	903	15	38
1937 -	3,862	70	3,198	2,089	965	53	77
1938 -	4,238	62	2,975	1,879	952	56	61
1939 -	4,264	125	2,903	1,872	951	39	35
1943 -	3,095	5/ 592	3,342	3,248	-	2	7
Value (1,000 dollars)							
1925 -		28,160	244,248	199,863	42,130	84	6
1927 -		10,311	258,959	201,011	47,598	4/	-
1929 -		6,104	188,318	137,609	49,692	4/	28
1931 -		2,238	114,597	63,642	49,899	-	238
1933 -	Not	1,617	104,935	37,026	66,516	285	180
1935 -	available	5,334	133,501	80,454	51,998	246	705
1937 -		3,099	166,306	103,809	59,198	1,122	1,709
1938 -		2,537	130,437	76,829	50,604	1,127	1,256
1939 -		6,984	124,649	72,774	49,617	1,085	1,002
1943 -		5/ 52,404	184,147	179,108	-	100	341

1/ Cane and beet sugar in terms of raw sugar; includes production in continental United States and insular possessions of Puerto Rico, Hawaii, and the Virgin Islands, but not in the Philippine Islands. 2/ Refined cane sugar.

3/ Duty free. 4/ Less than 500.

5/ Includes 574 thousand short tons valued at 50,921 thousand dollars exported under lend-lease.

Source: Production from The World Sugar Situation, 1945, U. S. Department of Agriculture; exports and imports from official statistics of the U. S. Department of Commerce.

SUGAR, CANE AND BEET--Continued

United States tariff
Sugar, cane and beet--paragraph 501

(Cents per pound)

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^{1/} In effect in 1945.

Note.-- The Tariff Act of 1930 provided for a general rate of 2.5 cents per pound on 96° sugar. The then existing Cuban preferential (20 percent below general rates) resulted in a rate of 2.0 cents on 96° sugar from Cuba. On June 8, 1934, the duties on sugar were reduced 25 percent by Presidential proclamation under section 336 of the tariff act, resulting in rates of 1.875 cents per pound on 96° sugar subject to the general rate of duty and, by virtue of the 20 percent preference to 1.5 cents per pound on sugar from Cuba. The duties on Cuban sugar were further reduced by 50 percent (giving 0.75 cent per pound for 96° sugar) by supplementary trade agreements with Cuba, the last one effective on January 5, 1942. The general rates were not affected by the agreements with Cuba, and the rates on Cuban sugar thus for a short time became less than half the general rates. On July 29, 1942, however, the general rate was reduced by 50 percent to 0.9375 cent on 96° sugar in trade agreement with Peru, which had the effect of restoring the preferential for Cuban sugar to 20 percent.

Sugar is dutiable according to its purity as measured by the polariscopic test. The basic rate is that on 75° sugar; by adding the increment for each degree above 75 the rate for any purity sugar may be determined. This makes the ad valorem equivalent of the rate on standard raw sugar, on a price basis, somewhat higher than that on 100° refined sugar, the price on refined sugar reflecting an extra processing. For instance, the average ad valorem of the duty on imports from Cuba, 1935 to 1938, based on declared values, was 42 percent on 96° sugar and 34 percent on 100° sugar.

The ad valorem equivalent of the duty on total 1939 imports from Cuba (the duty rate being then 0.9 cent per pound on 96° sugar) was 48 percent based on foreign value; on 1939 imports from other countries, at "full duty" rates, it was 133 percent. These ad valorem equivalents were computed on customs duty only, exclusive of the manufacturing and compensating taxes which apply equally to all sugar consumed in the United States, whether imported or of domestic origin. In 1939 about 18 percent of the imports of sugar from Cuba consisted of manufactured sugar subject to the import compensating tax. The excise tax on refined sugar, made in the United States, whether from imported or domestic raw sugar, is paid by the United States refiner upon release for consumption.

Pursuant to the Jones-Costigan Sugar Act, effective June 8, 1934, processing taxes and import compensating taxes were imposed (in addition to duties) at the rate of 1/2-cent per pound for 96° sugar. Sugar testing other degrees was taxed proportionally. The taxes were discontinued following the decision of the Supreme Court on January 6, 1936, that the processing tax provisions of the Agricultural Adjustment Act were unconstitutional.

SUGAR, CANE AND BEET-Continued

Note.- Continued

The Sugar Act of 1937, effective September 1, 1937, imposed an excise tax on manufactured sugar produced in the United States and an import compensating tax on manufactured sugar imported into the United States. These taxes have been incorporated in Chapter 32 of the Internal Revenue Code. By subsequent legislation the act was extended to December 31, 1947, and the excise taxes to June 30, 1948. The rate of tax is 1/2 cent per pound on 96° sugar, and adjustments are made for sugar having a different polariscopic test. The preferences accorded Cuban sugar in tariff duties do not apply in the case of taxes under the Sugar Act, the taxes applying equally regardless of the source of the sugar.

Comment

The recent history of the United States sugar industry must be considered in its international setting. World sugarcane production increased rapidly after the First World War, when production of beet sugar had fallen to a relatively low level in the European countries. The yearly output of cane sugar, which was about 12 million short tons in 1914, amounted to 15 million tons at the beginning of the 20's and to about 21 million in 1929. Areas devoted to the production of sugarcane were continuously expanded, particularly in Cuba, Hawaii, Puerto Rico, and India; production of sugar was also increased by the introduction of varieties of cane with higher yields, especially in Java. Widespread use of cost-reducing technical improvements and modernized equipment also played an important role. Moreover, the expansion of cane-sugar production was accompanied by a rapid recovery of the European beet sugar production from about 2.9 million short tons in 1919 to 9.5 million in 1928, that is to say, approximately its prewar level.

The world total of raw sugar production which was about 21 million short tons in 1921 was 32 million in 1930; it experienced a reduction during the depression years 1931-34, but afterwards continued increasing, reaching 35.7 million tons in 1939. The expansion of the industry's productive capacity proceeded at a far greater rate than the growth of the world's consumption. Since the demand for sugar is relatively inelastic, sugar prices fell to much lower levels than before World War I.

Moreover, large beet sugar producing areas were protected by tariff measures from low-priced sugar imports and the markets for the cane sugar of exporting countries were thus restricted. A violent competition developed in those markets among the several sugar-exporting countries, particularly between the Cuban and Javanese producers. That competition was reflected in the raw sugar prices quoted in "free" world markets. The price per pound of raw sugar at the London (c.i.f.) market averaged 4.27 cents in 1924; it dropped to 2.53 cents in 1928, to 1.97 in 1929, and reached a bottom in 1932 of 0.88 cent per pound.

United States sugar production (the total for continental United States, Hawaii, Puerto Rico, and the Virgin Islands) has shown a general upward trend. Increased tariff protection to domestic producers under the Tariff Act of 1922 stimulated production of "off-shore sugar" in Hawaii and Puerto Rico. It also led to increased production in the Philippine Islands, whose output entered the United States duty-free. Tariff protection was again increased, after the outbreak of the depression, in the Tariff Act of 1930. The total domestic output of sugar, plus that of the Philippine Islands, rose from 3.1 million short tons in 1925 to 4.1 million in 1929, and to more than 4.9 million in 1932. Of the latter quantity about 1.7 million short tons were produced in the continental United States and 3.2 million in the "off-shore" areas. The bulk of the continental output consisted of beet sugar grown in the Central, Rocky Mountain, and Pacific Coast States. Only about 265,000 tons was cane sugar, grown in Louisiana and Florida.

Domestic production was supplemented by large-scale imports. United States imports of sugar, including duty-free imports from the Philippines in the second half of the 20's absorbed nearly 40 percent of the world's net sugar exports. Cuba occupied the first place among the foreign sources of supply. Since 1903 imports

SUGAR, CANE AND BEET-Continued

from Cuba have had a preference in sugar duties. This preference, originally fixed at 20 percent, was substantially greater during the period 1934 to 1942, ^{1/} as a result of action under the Trade Agreements Act. Next in importance were the Philippine Islands which benefited from reciprocal free trade with the United States and, consequently, sold practically all their exportable sugar in this country. Imports from countries which were subject to the full duty rates were insignificant.

During the years 1922-26 Cuba supplied about 56 percent of United States sugar consumption, the Philippines 5 percent; Cuba's share declined to 47 percent in the years 1927-31, and the share of the Philippines increased to 10 percent. In the period 1932-34, however, Cuba's participation in the market of the United States fell to about 26 percent, while the Philippines accounted for 18 percent.

Up to 1934 American sugar prices followed rather closely the corresponding price movements in international markets. The (ex-duty) price of Cuban raw sugar delivered in New York declined from an annual average of 4.20 cents per pound in 1924 to 2.46 cents in 1928 and fell to 0.93 cent ^{2/} in 1932. It was under these conditions that the sugar legislation, initiated by the Jones-Costigan Act of 1934 and supplemented by the Sugar Act of 1937, was adopted. By establishing quantitative restrictions on imports and on marketings in continental United States of sugar from various domestic sources, this legislation destroyed the previous relation between the prices of sugar in the markets of the United States and the prices in the "free" world markets. The tariff lost much in importance since the lowered rates of duties established in 1934 did not any longer influence the sugar prices of the American market. Between 1935 and 1939 the New York ex-duty price for Cuban raw sugar (96°) was on the average 1.1 cents per pound higher than the corresponding price at London (c.i.f., ex-duty) which reflected the price of the international markets. The price realized on sales in the United States market of imported sugar paying the full duty was generally, during this period, only slightly higher and sometimes even less than the price on the international markets.

The regulation of the American sugar market was preceded by strenuous efforts of the competing groups of sugar-exporters to adjust, through international agreements, the total volume of exports to the purchasing capacity of the international markets. ^{3/} These efforts started in 1927 and led in 1931 to the so-called Chadbourne Plan, which consisted of a series of private agreements of national groups of sugar growers backed by the respective governments. In accordance with these agreements the sugar output in the participating countries, particularly in Cuba and Java, was severely curtailed, but the sector of world production covered by the Plan was too limited to secure achievement of the desired objectives. The reductions in output in participating countries made under the terms of the Plan were offset by expanding outputs in other countries. The average price of raw sugar ex-duty in London remained in the neighborhood of 1 cent per pound between 1933 and 1936.

Renewed negotiations, initiated at the World Monetary and Economic Conference of 1933, led finally to the International Sugar Agreement of 1937 concluded by 21 governments of sugar exporting and importing countries. The countries included

^{1/} On June 8, 1934, the duties on sugar were reduced 25 percent by Presidential proclamation under section 336 of the tariff act. Allowance was made for the then existing 20 percent Cuban preferential rate. In the subsequent trade agreements concluded with Cuba (see table on United States tariff, p. 2) the duty on imported Cuban sugar was reduced to less than half the rates on imports from full-duty countries. The general rate was lowered in 1942 under the trade agreement with Peru, restoring the 20 percent preference for Cuba.

^{2/} The duty of 2 cents per pound levied at that time on Cuban raw sugar was about twice as high as the ex-duty price.

^{3/} Beginning with 1926 various attempts had been made in Cuba to restrict its sugar production through systems of crop control and to regulate exports through selling agencies.

SUGAR, CANE AND BEET-Continued

in the agreement accounted for 85 to 90 percent of the world's total production and consumption of sugar. The main features of the agreement consisted in allocating basic quotas in the international markets to the countries which were the main exporters of sugar, and in establishing production control in accordance with the general principle that stocks should not exceed 25 percent of the annual output. The importing countries, among others the United States, were represented with a considerable voting strength in the International Sugar Council charged with the administration of the scheme. The Government of the United States undertook not to reduce the quotas allotted to its foreign suppliers below their 1937 levels.

Under the United States quota system, first established in 1934, the Secretary of Agriculture was directed to determine the quantity of sugar needed in each calendar year to meet the requirements of the consumers in the continental United States. The law prescribed that the quantity so fixed should not be so small as to result in prices excessive to consumers or higher than necessary to maintain the domestic sugar industry as a whole. Various sources of supply were distinguished and each source was allotted a share in the total volume of sugar marketable in continental United States. The President was, however, authorized, in case of emergency, to suspend these restrictions, and he availed himself of that power after the outbreak of the war in September 1939. The quota system was restored at the beginning of 1940 but again suspended in April 1942, after shipments from the Philippine Islands had been interrupted by the Japanese invasion and a general shortage of available supplies had developed.

The shares allotted to the various areas of supply under the Sugar Act of 1937 were intended ordinarily to be as follows:

<u>Producing area</u>	<u>Per centum</u>
Domestic beet sugar -----	23.19
Mainland cane sugar -----	6.29
Hawaii -----	14.04
Puerto Rico -----	11.94
Virgin Islands -----	.13
Philippine Islands -----	15.41
Cuba -----	28.60
Other foreign countries -----	.40
Total -----	100.00

Thus, under the operation of the quota system the supply from all domestic sources (not counting the Philippines) taken together was normally expected to amount to 55.59 percent of total requirements. The distribution of the requirements between domestic and foreign areas might, however, be affected by a provision of the act according to which the combined quotas allotted to domestic sources should not be less than 3.7 million short tons expressed in terms of 960 sugar. Additional provisions were made for the adjustment of the initial quotas to current changes in consumption and to situations in which particular areas should fail to supply their full quotas. Thus, deficiencies in shipments from the Philippines should be allocated among foreign sources other than Cuba; ^{1/} deficiencies of any domestic area among other domestic areas and Cuba; and deficiencies of Cuba among domestic areas.

^{1/} Peru was the principal beneficiary of such readjustments; that country's initial quota of 6,000 short tons was increased to 57,000 tons in 1938. In 1941, when imports from the Philippines were reduced by the war, Peru's quota was 150,000 tons which corresponded to about 40 percent of total Peruvian sugar exports. Also imports from the Dominican Republic rose considerably after 1940.

SUGAR, CANE AND BEET—Continued

The Philippine Independence Act of 1934 established a quota on imports of duty-free sugar from the Philippines of 850,000 long tons (about 952,000 short tons) per calendar year during the first 10 years of the new Commonwealth. All imports above the quota of 850,000 long tons were to be subject to the United States general tariff rates on sugar. The Act provided further that beginning January 1, 1941, the Philippine duty-free quota of sugar would be made subject to export taxes on a progressive scale, starting with 5 percent of the prevailing United States general tariff rate. These and other commercial provisions of the Independence Act were rendered inoperative by the Japanese invasion of the Philippines. Under the Philippine Trade Act of 1946, the Republic of the Philippines is allowed the free entry into the United States of all Philippine articles until July 4, 1954, except that certain products, including sugar, are subject to quota limitations. The quota on sugar is 850,000 long tons (of which not more than 50,000 long tons may be refined sugar), the same as that provided in the Independence Act except that under the Trade Act this is an absolute quota and not a tariff quota. In the period beginning July 4, 1954, duties will be collected on imports of Philippine sugar during the remainder of that year at the rate of 5 percent of the most favorable United States tariff duty $\frac{1}{2}$ and the duties will be increased by 5 percent of such tariff duty in each successive calendar year.

Under the Sugar Act, as a protection to the mainland refining industry, quotas were imposed fixing the maximum shipments of refined (direct consumption) sugar to the mainland from each foreign and off-shore domestic source. Expressed in terms of 96° sugar these quantities were: 375,000 short tons from Cuba, 80,214 short tons from the Philippines, 126,033 short tons from Puerto Rico, and 29,616 short tons from Hawaii.

Exports of sugar from the mainland of the United States have consisted almost entirely of imported raw sugar refined in the United States and exported with benefit of drawback. ^{2/} The costs of much of the sugar produced in the continental areas had always been so considerably above costs of much of the foreign production that domestically produced sugar could not be sold at the prices quoted in international markets.

The following table shows, beginning with 1937, the distribution of the sugar supply in continental United States among the contributing areas, as differentiated in accordance with the 1937 scheme:

^{1/} As regards sugar, this would mean the duty accorded to Cuba if preference for Cuban sugar continues at that time.

^{2/} Under the quota regulations "drawback imports" were not chargeable against the quota for domestic consumption.

SUGAR, CANE AND BEET--Continued

Final Charges Against Sugar Quotas, 1937-44 ^{1/}

Supplying area	1937	1938	1939 ^{2/}	1940	1941	1942 ^{3/}	1943 ^{4/}	1944 ^{4/}
	Quantity (1,000 short tons in terms of 96°)							
Continental:								
Domestic beet	1,245	1,448	1,809	1,550	1,952	1,702	1,524	1,155
Mainland cane	491	449	587	406	411	407	460	504
Total	1,736	1,897	2,396	1,956	2,363	2,109	1,984	1,659
Domestic off-shore sources:								
Hawaii	985	906	966	941	903	752	866	802
Puerto Rico	896	815	1,126	798	993	836	642	743
Virgin Islands	8	4	5	-	4	-	3	3
Total	1,889	1,725	2,097	1,739	1,900	1,588	1,511	1,548
Foreign sources:								
Cuba	2,156	1,941	1,930	1,750	2,700	1,941	3,303	3,880
Philippine Islands	991	981	980	981	855	23	-	-
Other countries ^{5/}	89	75	62	17	190	39	114	106
Total	3,236	2,997	2,972	2,748	3,745	2,003	3,417	3,986
Grand total	6,861	6,619	7,465	6,443	8,008	5,700	6,912	7,193
	Percent of total							
Continental:								
Domestic beet	18.1	21.9	24.2	24.0	24.4	29.9	22.0	16.1
Mainland cane	7.2	6.8	7.9	6.3	5.1	7.1	6.7	7.0
Total	25.3	28.7	32.1	30.3	29.5	37.0	28.7	23.1
Domestic off-shore sources:								
Hawaii	14.3	13.7	12.9	14.6	11.3	13.2	12.5	11.2
Puerto Rico	13.1	12.3	15.1	12.4	12.4	14.7	9.3	10.3
Virgin Islands	.1	.1	.1	-	^{6/}	-	.1	^{6/}
Total	27.5	26.1	28.1	27.0	23.7	27.9	21.9	21.5
Foreign sources:								
Cuba	31.4	29.3	25.9	27.2	33.7	34.0	47.8	53.9
Philippine Islands	14.5	14.8	13.1	15.2	10.7	.4	-	-
Other countries ^{5/}	1.3	1.1	.8	.3	2.4	.7	1.6	1.5
Total	47.2	45.2	39.8	42.7	46.8	35.1	49.4	55.4
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^{1/} Data for 1939 and 1942-44 represent quantities entered or marketed since quotas were in suspense in all or part of those years.

^{2/} Quotas suspended on September 12.

^{3/} Quotas suspended April 13.

^{4/} No quotas in effect.

^{5/} Excludes first 10 tons imported from each country.

^{6/} Less than one-tenth of 1 percent.

Source: Sugar Branch, Production and Marketing Administration, U. S. Department of Agriculture.

SUGAR, CANE AND BEET--Continued

The regulation of the United States sugar market through the quota system was supplemented by a system of benefit payments designed to adjust the domestic (continental and insular) production of sugarcane and sugar beets to such amounts (or acreage) as would correspond to the quotas allotted to the domestic area; moreover, the eligibility of individual growers to receive benefit payments was made dependent on their compliance with certain fair labor standards and certain methods of soil conservation, and on the condition that they individually should not exceed their proportionate share of the quota for the area. The rates of benefits were graded according to the quantity of sugar produced, the minimum rate being 30 cents per 100 pounds of recoverable raw sugar on any quantity in excess of 30,000 short tons, the maximum rate 60 cents per 100 pounds on production up to 500 short tons by any individual grower. The maximum rate was increased to 80 cents by an amendment to the act.

Beginning with 1943, under the pressure of wartime requirements, incentive payments, in addition to the benefit payments, have been made in connection with the Government's price stabilization program to offset the increased costs of producing sugar-bearing crops. For the sugar beet crop in 1944 these incentive payments averaged about 85 cents per 100 pounds of recoverable sugar; for the mainland cane crop nearly 80 cents, for Hawaiian and Puerto Rican cane crops 20 cents. These subsidies were subsequently increased. For the crop of 1946, the growers are assured a payment of about \$4 per ton of sugar beets beyond Sugar Act payment ¹/₁ and to about \$2.10 on an average ton of sugarcane, but these latter subsidies are graduated up and down according to the ratio of sugar recovered from the cane deliveries of the individual producer to sugar recovered from all deliveries in each area.

The Sugar Act of 1937 also provides for an excise tax at the rate of 50 cents per 100 pounds of 96° sugar (53.5 cents on 100° sugar) on all sugar marketed for direct consumption in the United States. ²/₂:

The cane sugar output of the American mainland, which experienced a sharp decline in 1940, reached in 1943 approximately the prewar level (about 500,000 short tons). Mainland beet sugar production, however, suffered a prolonged decline during the war, particularly owing to shortage of labor and to the shift of land use from the growing of sugar beets to other crops. Also in Hawaii and Puerto Rico output of sugar was not maintained at its prewar level.

From 1941 onwards United States sugar supply was also seriously affected by the loss of Philippine imports, which had amounted to almost 1 million short tons a year. Under these conditions imports from Cuba had to be increased substantially in order to cover the requirements of the United States market and sugar exports made in accordance with the lend-lease program. Compared with a prewar quota of about 2 million short tons for imports from foreign countries other than the Philippines, 3.3 million were imported in 1943 and 3.9 million in 1944, quota restrictions having been suspended in April 1942. These imports were secured by yearly contracts, beginning with the 1942 Cuban crop, in which the United States Government undertook to purchase at a fixed price the entire Cuban crop (less the island's own requirements). The price per pound of Cuban raw sugar (Cuba f.o.b. for United States market) rose from an average of 1.91 cents in 1939 to 2.65 cents for the 1942-44 crops, 3.10 cents for 1945, and 3.675 for the 1946 crop. ³/₃:

¹/₁ Including benefit payments, the price received by the farmers for a ton of beets rose from about \$6.71 in 1939 to \$11.42 in 1943 and a guarantee of \$13.50 in 1946. These payments are exclusive of soil conservation and crop failure payments.

²/₂ A processing tax supplemented by an import compensating tax as introduced by the Jones-Costigan Act in 1934 was declared unconstitutional by the Supreme Court in January 1946. The excise tax was then introduced by the Sugar Act of 1937.

³/₃ The purchase contract of the 1946 crop provides for upward adjustments in the basic price during the calendar year 1946 in the same proportion as the index of living costs or of foodstuff prices (as reported by the Bureau of Labor Statistics of the United States Department of Labor) increases over the averages prevailing during the last 3 months of the calendar year 1945.

SUGAR, CANE AND BEET--Continued

The sugar production of the world has been greatly reduced by the war and its after effects. In Java and the Philippines production had almost been brought to a standstill under the Japanese occupation. On the European Continent beet production has been reduced to about half the prewar level, because of lack of manpower, fertilizers, and transportation facilities; in some territories also economic and social insecurity has seriously affected agricultural operations. ^{1/} The world's available stocks of sugar have been practically exhausted. Hence, for some years to come, prices in international sugar markets can be expected to be substantially higher than before the war.

The International Sugar Agreement has been extended during and after the war, but its main provisions have been declared inoperative since they were designed to deal with a surplus situation. In the Protocol of August 31, 1945, in which the agreement was prolonged for a further year some revision of the prewar provisions was contemplated. The Protocol was ratified by the United States on April 17, 1946. When the ratification was discussed in the Senate it was understood that the extension of the agreement would in no way conflict with the domestic sugar legislation.

Under the quota system established by the Sugar Act of 1937 the tariff duties on sugar have comparatively little effect upon the price of sugar in the United States market or upon the share of consumption supplied by the several areas, domestic or foreign.

^{1/} World production of beet sugar (excluding Russia and China) which amounted to about 10 million short tons in 1939-40 was estimated at 5.5 million for 1945-46. Between the same years production of cane sugar declined only from about 22 million tons to 20 million.

EDIBLE MOLASSES AND SUGAR SIRUPS

Stat. import classes (1939): 163.43-163.99

United States production, exports, and imports, 1929, 1935, 1937, 1938, 1939 and 1943

Year	Production	Domestic exports ^{1/}	Imports for consumption from--				
			All countries	CUBA	Barbados	Dominican Republic	"Other" Br. W. Indies ^{2/}
	Quantity (1,000 gallons)						
1929 -	39,830	3,176	2,023	119	1,692	3/	161
1935 -	48,864	377	12,644	9,858	1,571	967	171
1937 -	43,300	380	10,988	8,212	1,568	976	169
1938 -	38,713	407	9,946	7,661	1,336	763	150
1939 -	40,782	2,378	11,564	9,040	855	1,505	134
1943 -	56,330	<u>4/</u> 398	1,584	1,285	195	-	50
	Value (1,000 dollars)						
1929 -	24,342	973	526	23	435	<u>4/</u>	41
1935 -	20,600	109	1,457	923	381	90	29
1937 -	13,817	175	1,319	1,239	403	98	45
1938 -	16,695	171	1,763	1,293	316	91	39
1939 -	17,193	964	1,753	1,346	202	184	35
1943 -	40,014	<u>4/</u> 362	679	570	68	-	20

^{1/} Sirup only, including maple sirup.^{2/} Includes imports from Trinidad and Tobago of 50 thousand gallons valued at 20 thousand dollars for 1943; negligible in prior years.^{3/} Less than 500.^{4/} Includes 235 thousand gallons valued at 178 thousand dollars exported under lend-lease.

Source: Production from official statistics of the U. S. Department of Agriculture; exports and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed
	Act of 1930	1945 rate	negotiating country
	Cents per gallon		

Par. 502

Molasses and sugar sirups, n.s.p.f.:

Containing nonsugar solids equal to more than 6 percent of total soluble solids:

Product of Cuba:

Containing not above 48 percent total sugars -----0.20 1/0.10

Plus, for each percent of total sugars over 48 percent -----

.22 1/0.11

CUBA

Computed rate on basis of 75 percent total sugars -----6.14 1/3.07

See footnotes at end of table.

EDIBLE MOLASSES AND SUGAR SIRUPS--Continued

Item	United States tariff		Proposed negotiating country
	Act of	1945	
	1930	rate	
	Cents per gallon		
Par. 502			
Other than product of Cuba:			
Containing not above <u>48 percent</u>			
total sugars -----	0.25	2/0.16-2/3	UNITED KINGDOM
Plus, for each percent of total			
sugars over 48 percent -----	0.275	2/0.18-1/3	
Computed rate on basis of <u>75 per-</u>			
cent total sugars -----	7.675	2/5.117	
Containing nonsugar solids equal to			
6 percent or less of total soluble			
solids: <u>3/</u>			
Product of Cuba:			
Containing not above <u>48 percent</u>			
total sugars -----	0.20	4/0.10	CUBA
Plus, for each percent of total			
sugars over 48 percent -----	0.22	4/0.11	
Computed rate on basis of <u>75 per-</u>			
cent total sugars -----	6.14	4/3.07	
Other than product of Cuba:			
Containing not above <u>48 percent</u>			
total sugars -----	0.25	5/0.25	UNITED KINGDOM
Plus, for each percent of total sugars			
over 48 percent -----	0.275	5/0.275	
Computed rate on basis of <u>75 per-</u>			
cent total sugars -----	7.675	5/7.675	

1/ Trade agreement with Cuba, effective January 1942; Cuban product not subject to nor included in any tariff quota.

2/ Trade agreement with the United Kingdom, effective January 1939; reduced rates, however, are limited to a tariff quota of 1,500,000 gallons from full-duty countries in any calendar year. Entries in excess are subject to rates applicable under the act of 1930.

3/ These sirups, termed "liquid sugar", have since September 1937 been subject to an import compensating tax of 0.5144 cent per pound of total sugars, which is in addition to the duties shown in the tabulation.

4/ Trade agreement with Cuba, effective January 1942; this product of Cuba is subject to an absolute quota of 7,970,558 gallons under the Sugar Act of 1937. (See note below.)

5/ Full-duty imports of this product are subject to an annual absolute quota of 830,894 gallons under the Sugar Act of 1937 and are dutiable at the rates provided for in the act of 1930. (See note below.)

Note.-- Quotas on sugar, including "liquid sugar," were suspended, effective April 1942, for the period of the national emergency with respect to sugar.

Note.-- In 1939 the duty on molasses and sugar sirups under the tariff quota was equivalent, on the average, to 46 percent ad valorem on imports from Cuba and to 17 percent on imports from other countries; on imports in excess of the quota the ad valorem equivalents were 96 and 26 percent, respectively. The duty on "liquid sugar" was equivalent to 40 percent ad valorem on imports from Cuba and to 59 percent on imports from other countries.

EDIBLE MOLASSES AND SUGAR SIRUPS--Continued

Comment

Edible molasses and sugar sirups, dutiable under paragraph 502 of the Tariff Act of 1930, are principally products derived from sugarcane; sorgo sirups are also important in United States production. Of the approximately 41 million gallons of total average domestic production in 1937-39, about 22 million gallons consisted of sugarcane sirup, 12 million gallons of sorgo sirup, 4 million gallons edible molasses, and 3 million gallons refiners' sirup.

If all economically recoverable sugar is extracted from the cane by a raw-sugar mill, the residue is inedible molasses, but with some sacrifice in the recovery of sugar much of the residue can be ordinarily sold as edible molasses. In refining raw cane sugar some of the molasses residue is converted into refiners' sirup by filtering and other processing; unless so treated the residue is inedible molasses.

Sorgo and cane sirups produced on farms or in small (custom) sirup mills are for the most part consumed on the farms or marketed locally. Molasses and cane sirups produced by raw-sugar mills, and refiners' sirups find wider distribution through large food-processing (baking and confectionery especially) and marketing concerns. They frequently are marketed in blends with corn sirup or with clear sugar sirups. The price of sorgo sirups and of cane sirups produced for local sale is frequently two to three times that of molasses and refiners' sirups.

"Liquid sugar" produced in the United States is made from domestic or imported dry cane sugar or by further processing imported "liquid sugar." Thus the domestic production of "liquid sugar" is included in the figures for total consumption of cane and beet sugar (see digest on Sugar, par. 501) and, therefore, excluded from the figures here presented for domestic production of edible molasses and sugar sirups. Liquid sugar, on account of its low content of nonsugar solids, is relatively colorless and flavorless and is readily distinguishable from those types of sirups which are marketed primarily on the basis of flavor.

Imports of "liquid sugar" are included in the statistics at the beginning of this digest; they became significant about 1931 and from 1931 to 1938 imports of edible sugar sirups from Cuba and from the Dominican Republic consisted almost entirely of this type of sirup. Total imports in 1936 rose to about 16 million gallons. It was in this year that the Secretary of Agriculture, under the provisions of the Jones-Costigan Sugar Act and Public Resolution 109 of June 19, 1936, established an absolute annual import quota $\frac{1}{n}$ in liquid sugar. It was determined that "limitation on the importation of this sirup which competes with ordinary sugar was necessary to protect the operations of the sugar quota system established under the act."

Before 1939 virtually all of the United States imports of edible molasses and sugar sirups, other than "liquid sugar," were from the British West Indies and were of the type known as Barbados molasses. This product, produced from whole cane juice in an open kettle process, has a certain flavor which none of the domestic products have and, therefore, has had a special market as a table sirup in the New England fishing and lumbering regions and for blending purposes. In each of two 5-year periods before the war, 1924-28 and 1934-38, the full-duty imports under this category averaged about 1.7 million gallons a year, indicating a fairly uniform trade of long standing.

1/ Quotas on imports of "liquid sugar":

Area	: Jones-Costigan Act	: Sugar Act of 1937
	: In terms of gallons of 72 percent total sugar content	
Cuba -----	7,937,453	7,970,558
Dominican Republic -----	830,894	830,894
Great Britain -----	16,368	-
Other foreign countries -----	-	-
Total -----	8,784,715	8,801,452

EDIBLE MOLASSES AND SUGAR SIRUPS--Continued

When the tariff quota of 1,500,000 gallons annually on molasses and sugar sirups (excluding liquid sugar) was provided for in the trade agreement with the United Kingdom (effective January 1939), it evidently was expected that the bulk of the imports would come from the British West Indies, as they had in the past; and no provision was made for allocation of the quota among sources of supply. In 1939, however, imports from Cuba jumped to over 1 million gallons and accounted for almost 70 percent of the imports within the quota. Even though total imports from the British West Indies (within and in excess of the quota) were less than two-thirds as much as the quota, only about 40 percent were entered before the quota was filled. These imports had an average foreign value of approximately 25 cents a gallon, as compared with less than 7 cents a gallon for the Cuban product. The Cuban sirups were made in large sugar mills from surplus sugarcane, which largely accounts for their much lower unit value. In 1940 and 1941, imports from Cuba also represented large portions of the quota. This situation was altered by the supplementary trade agreement with Cuba, effective January 1942, which further reduced the duty on the Cuban product and provided that imports from Cuba would not be chargeable against the tariff quota on imports under the trade agreement with the United Kingdom. In 1942, imports from Cuba exceeded 6 million gallons; in subsequent years, through 1945, they ranged from 2 million to less than one-third million gallons a year, the decrease being due partly to shipping difficulties and to the effect of certain provisions in the contract for the purchase of Cuban sugar crops by the United States Government. Annual imports of these sirups from countries other than Cuba averaged less than one million gallons from 1942 to 1944, but in 1945 they slightly exceeded the tariff quota of 1,500,000 gallons.

In April 1942 the quota provisions of the Sugar Act of 1937, including the absolute quota on imports of "liquid sugar," were suspended for the duration of the national emergency with respect to sugar. Since that time, the imports of "liquid sugar" from Cuba and from the Dominican Republic have not equalled their respective quota allotments. In 1944, however, imports from Cuba of all types of edible sirups and molasses amounted to 8.5 million gallons, 6.3 million gallons of which were dutiable as "liquid sugar." In 1945 total imports of edible molasses and sugar sirups from Cuba amounted to less than 300,000 gallons, none of which was "liquid sugar." There have been no imports of "liquid sugar" from the Dominican Republic since 1941. Imports of "liquid sugar" since 1942 have been controlled through import licensing and sugar purchasing contracts. The relatively large imports in 1944 consisted of types of beverage sirups, which subsequently were subject to rationing as sugar on a sugar content basis and which had the effect of discouraging imports of the higher priced sugar in this form.

About 8.6 pounds of sugar (refined basis) are contained in a gallon of "liquid sugar," of 75 percent total sugars content. On "liquid sugar" of this test, the present rate of duty is 3.07 cents a gallon for the Cuban product and 7.675 cents for the product of other countries. These rates are equivalent, per pound of sugar content, to approximately 0.35 cent on the Cuban product and 0.89 cent on imports from other countries. There is therefore a decided saving in duty to the importer if he brings in sugar in the form of "liquid sugar" rather than as dry sugar; the rates on the latter being 0.795 cent and 0.99375 cent, respectively, per pound. The same disproportion exists nominally with respect to edible molasses and sugar sirups other than "liquid sugar." But since these latter products are not identical in use with sugar, this difference in tariff treatment though important may not be as material as it is with "liquid sugar."

EDIBLE MOLASSES AND SUGAR SIRUPS--Continued

During the prewar period, domestic production of dark and flavored molasses and sugar sirups (the products covered by this digest, except "liquid sugar") showed a downward tendency. This was accounted for partly by the greater quantities of corn sirup used as a table sirup and in blends with other molasses and sirups. In addition to the consumer preference because of its physical characteristics, corn sirup had the advantage of a lower price. However, during the war years, the consumption of all these products increased by reason of their substitution for sugar, a scarce commodity and subject to rationing.

For the postwar period it is probable that the prewar trends will be resumed; accordingly, whatever the total annual consumption of molasses and sirups may be, a declining share will probably be accounted for by the unblended products. The proportions of the consumption of these products that may be supplied by domestic production and by imports are subject to considerable uncertainty. If the import quota on "liquid sugar," in effect since 1936, but at present temporarily suspended, should be restored, imports would be limited to the quota regardless of the rate of duty.

INFEDIBLE MOLASSES

Stat. import class (1939): 1640.0

United States production, exports, and imports, 1937-39 and 1943

	1937	1938	1939	1943
	Quantity (1,000 gallons ^{1/})			
Production ^{2/} -----	144,500	147,600	148,800	163,879
Exports ^{3/} -----	12,503	11,902	19,885	234
Imports for consumption from:				
Total, all countries -----	301,450	177,348	190,656	^{4/} 151,386
CUBA -----	237,272	130,041	160,386	145,220
Dominican Republic -----	19,816	19,845	16,419	-
United Kingdom -----	1,302	-	2,506	-
Poland and Danzig -----	3,202	6,919	2,190	-
Canada -----	1,078	1,466	1,970	2,569
Mexico -----	-	1,044	1,153	3,102
Netherlands Indies -----	27,698	8,301	-	-
	Value (1,000 dollars)			
Production -----	n.a.	n.a.	n.a.	n.a.
Exports ^{3/} -----	426	504	544	126
Imports for consumption from:				
Total, all countries -----	15,670	8,206	6,420	^{4/} 26,388
CUBA -----	13,207	5,815	5,172	25,770
Dominican Republic -----	733	685	405	-
United Kingdom -----	78	-	244	-
Poland and Danzig -----	188	609	168	-
Canada -----	101	109	129	377
Mexico -----	-	22	8	209
Netherlands Indies -----	907	381	-	-

^{1/} Quantity as reported and not adjusted for sugar content.^{2/} Includes continental United States production and that in Hawaii and Puerto Rico; partially estimated.^{3/} Official export statistics do not differentiate between edible and inedible molasses, therefore these figures include small quantities of molasses exported for edible purposes.^{4/} Free for Government use, 143,099 thousand gallons valued at 25,515 thousand dollars imported from Cuba.

Source: Production from official statistics of the U. S. Department of Agriculture, except as noted; exports and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
	Cent per pound of total Sugars content		

Par. 502

Molasses not imported to be used
for the extraction of sugar
or for human consumption:

Product of Cuba -----	0.024	^{1/} 0.012
Other than product of Cuba -----	0.03	0.03

CUBA

^{1/} Supplementary trade agreement with Cuba, effective January 1942.

Note.- The ad valorem equivalent of the duty on imports in 1939 (when the rates of the 1930 act were in force) was 5 percent on the Cuban product and 5 percent on imports from other countries; on 1943 imports it was 0.6 percent on the Cuban product and 1.8 percent on that from other countries.

INEDIBLE MOLASSES---Continued

The approximate equivalent computed duty in 1939 was 0.17-cent per gallon on imports from Cuba and 0.19-cent per gallon on imports from countries other than Cuba. The computed rate per gallon on the Cuban product reflected the higher total sugars content of about 7 pounds per gallon against that of about $6\frac{1}{2}$ pounds per gallon on imports from countries other than Cuba in 1939.

Comment

The term "molasses" as here used means inedible molasses, that is, molasses not fit or not used for human consumption, as distinguished from molasses and sugar sirups used for edible purposes, which are considered in a separate digest. Inedible molasses consists of 3 major types, namely, blackstrap molasses (molasses obtained as a byproduct in the manufacture of raw cane sugar and also in cane sugar refining, with a sugars content of from 50 to 60 percent); high-test molasses (made from surplus cane, without the extraction of sugar, and with a sugars content usually of at least 75 percent); beet molasses (a byproduct of beet sugar manufacturing with a sugars content of about the same as that of blackstrap molasses).

All of the domestic production consists of blackstrap and beet molasses, except that the figure for 1937 included about 12 million gallons of high-test molasses made in Puerto Rico. This was produced from cane harvested in excess of the quantity necessary to fill the sugar quota allotted under the provisions of the Jones-Costigan Sugar Act. Until the early thirties, almost all the imports also were of blackstrap molasses but after 1935 a considerable proportion was high-test molasses from Cuba. Possibly 30 million gallons of the imports in 1939, and larger amounts in the 2 or 3 preceding years, consisted of high-test molasses. Imports of molasses from European countries and from Canada consisted largely of beet molasses.

Annual domestic production of inedible molasses varies with the volume of sugar produced. Approximately one-half of the domestic output (average 1937-39) was produced in Puerto Rico and Hawaii, and the other half consisted of both beet molasses and blackstrap molasses (from raw-sugar mills and refineries) produced in continental United States. Of the molasses produced in Puerto Rico and Hawaii, nearly two-thirds was shipped to continental United States, and the remainder was used on the Islands for making rum and for other purposes.

The principal uses of inedible molasses in the United States are in the production of industrial alcohol and in mixed feeds for livestock. Practically all of the high-test molasses is used in the production of industrial alcohol which in 1939 accounted for a total of about 190 million gallons of molasses (blackstrap equivalent basis). From 50 to 75 million gallons of molasses were used annually in recent prewar years in mixed livestock feed. The remainder was used in the production of yeast, vinegar, citric acid, rum, and butyl alcohol. Beet molasses is preferred in the manufacture of citric acid and yeast; large quantities are also used as stock feed, dried molasses beet pulp being an important outlet for this purpose.

1. and 2. rum and other products from molasses

MAPLE SUGAR AND SIRUP

Stat. import classes (1939): 1651.0 and 1651.1

United States production, exports, and imports, in specified years,
1925 to 1943

Year	Production	Domestic exports	Imports for consumption (all from Canada in most years)			
			All countries	United Kingdom		
Quantity (1,000 pounds) <u>1/</u>						
1925 ———	25,774	Not avail- able <u>2/</u>	3,526	<u>3/</u>		
1927 ———	30,615		5,661	4		
1929 ———	20,258		12,351			
1931 ———	19,318		1,725	1		
1933 ———	18,795		3,246			
1935 ———	28,697		3,715			
1937 ———	20,755		6,111			
1938 ———	22,865		3,974			
1939 ———	20,486		11,547			
1943 ———	21,018		5,418			
Value (1,000 dollars)						
1925 ———	6,730	Not avail- able <u>2/</u>	510	<u>3/</u>		
1927 ———	7,943		926	1		
1929 ———	5,202		2,280			
1931 ———	4,229		309	<u>3/</u>		
1933 ———	2,847		548			
1935 ———	5,233		486			
1937 ———	4,245		933			
1938 ———	4,660		631			
1939 ———	4,330		1,767			
1943 ———	7,543		1,417			

^{1/} Sugar and sirup combined in terms of sugar (1 gallon or 11 pounds of sirup equal to 8 pounds of sugar). ^{2/} Exports are known to be small.

^{3/} Less than 500.

Source: Production from U. S. Department of Agriculture; imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country
	Act of 1922	Act of 1930	1945 rate	
			Cents per pound	
Maple sugar	4.0	8.0	^{1/} 3.0	CANADA
Maple sirup	4.0	5.5	^{1/} 2.0	do.

^{1/} Tariff Act of 1930 rates on maple sugar and maple sirup were reduced to 6 cents and 4 cents a pound, respectively, by Presidential proclamation under section 336, effective March 1931; the rate on maple sugar was further reduced to 4 cents a pound in the first trade agreement with Canada, effective January 1936, and the rates on maple sugar and maple sirup were further reduced to 3 cents and 2 cents per pound, respectively, in the second trade agreement with Canada, effective January 1939.

Note.—The duty of 3 cents a pound on the imports of maple sugar was equivalent to 19 percent ad valorem in 1939 and to 11 percent in 1943; on the imports of sirup the duty of 2 cents per pound was equivalent to 22 percent ad valorem in 1939 and to 12 percent in 1943.

MAPLE SUGAR AND SIRUP—Continued

Comment

Maple sugar and maple sirup are made from the sap gathered from certain species of maple trees which grow wild in forests or groves. The sirup is obtained by boiling or evaporating the watery sap to a sirupy consistency weighing about 11 pounds a gallon. If the evaporating is continued until the sugar content crystallizes, the product is maple sugar, yielding about 8 pounds of sugar for each gallon of sirup. The conversion of sirup to sugar, and of sugar to sirup, is comparatively simple although some flavor is lost in the process. Maple sugar and sirup consumed as such are made into food and confectionery products, and are used in the preparation of chewing and smoking tobacco, and of blended sirups.

The United States and Canada produce and consume virtually the entire world supply of maple sugar and sirup. Production in the United States is confined almost wholly to the New England, Middle Atlantic, and Great Lake States. Vermont is the outstanding producer, and together with New York and Ohio produces about 75 percent of the domestic output. Over 80 percent of the Canadian production is in the Province of Quebec. The average annual domestic production declined from about 30 million pounds (sugar equivalent) in 1919-23 to 21 million pounds in 1936-40. The number of trees tapped and the weather determine the volume of production in any one year. The number of trees tapped declined from approximately 17 million to 11 million between the 5-year periods mentioned above, owing in part to the cutting of maple trees for lumber. Canadian production has been maintained at an average of about 26 million pounds annually, but varies from year to year on account of the weather. Annual consumption in the United States averaged about 28 million pounds (sugar equivalent) in 1937-44 compared with 32 million pounds in 1924-32.

Usually, from 15 to 25 percent of the Canadian production has been exported to the United States. In 1939, United States imports were exceptionally large and amounted to 11.5 million pounds (sugar equivalent) which represented nearly 40 percent of the Canadian production. This increase in imports was due to reduced domestic production because of damage to maple trees in New England by the hurricane of September 1938, to the unusually large 1938 Canadian crop (31 million pounds), and to the tariff reduction from 4 to 3 cents a pound on sugar and from 4 to 2 cents a pound on sirup in the trade agreement with Canada, effective January 1939.

Imports are predominantly of the commercial and not of the fancy grade; they have a strong maple flavor, and are in demand by domestic manufacturers who wish to obtain the maple flavor with the minimum use of maple sugar or sirup. A large proportion of the domestic sirup is sold as fancy maple sirup for table use.

Whenever the rates of duty on sugar and on sirup have been the same (as they were from 1922 to 1930 and from 1936 to 1938), the imports have consisted of sugar almost exclusively. When the rate on sirup has been one-third less than that on sugar, however (as from 1931 to 1935 and from 1939 through 1945), about 30 percent of the total imports in terms of sugar have entered in the form of sirup.

It is difficult to measure the direct effect on imports of changes in rates of duty. Increases in rates under the Tariff Act of 1930 from 4 cents a pound on both sugar and sirup to 8 cents a pound on sugar and 5½ cents a pound on sirup, followed large speculative imports in 1929 and early in 1930 of over 11 million pounds (sugar equivalent) in each year. This resulted in large stocks in the United States and imports in 1931 and 1932 were small, averaging only 2.2 million pounds. In the years 1933 to 1935, with the surplus stocks out of the way, but with rates of duty the same as in 1932, imports averaged 3.6 million pounds (sugar equivalent) which compared with annual imports of 4.9 million pounds in the years

MAPLE SUGAR AND SIRUP--Continued

1924-28. Between these two periods, however, the United States price of maple sugar declined from 28 cents to 24 cents per pound. In the years 1936-38, with the duty at 4 cents a pound on both sugar and sirup, imports increased to 5.5 million pounds, but United States prices also increased to 28 cents a pound of sugar. Following the reduction in duty to 3 cents a pound on sugar and to 2 cents on sirup, imports increased to 8.4 million pounds (1939-41), but this also coincided with an increase in the United States price.

In 1937 and 1938, when the rate of duty was the same on a pound of maple sugar as on a pound of maple sirup, imports were predominantly of sugar. Following the trade agreement of January 1939, in which the duty on sirup was established at a rate of only two-thirds that on sugar to compensate for the higher moisture content of sirup, an increased proportion of the imports of maple products consisted of sirup. Data on United States imports of maple sugar and sirup, 1937-39, 1943, and 1945, are shown below.

Maple sugar and sirup: United States imports for consumption, all from Canada, 1937-39, 1943, and 1945

Year	Maple sugar		Maple sirup	
	Quantity	Value	Quantity	Value
	Pounds		Pounds	
1937 -----	6,050,228	\$914,922	84,160	\$18,384
1938 -----	3,945,601	622,798	38,519	8,678
1939 -----	9,621,891	1,524,491	2,646,485	242,303
1943 -----	4,556,470	1,210,955	1,184,351	205,615
1945 -----	4,130,664	1,103,076	1,232,325	228,273

SALICIN

Stat. class (1939): 813.80

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from--			
			All countries	UNITED KINGDOM	Germany <u>1/</u>	
	Quantity (ounces)					
1937 -----	N	N	6,400	-	6,400	
1938 -----	O	O	5,360	4,800	560	
1939 -----	N	N	18,592	16,992	1,600	
1943 -----	E	E	36	36	-	
	Value (dollars)					
1937 -----			738	-	738	
1938 -----			812	732	80	
1939 -----			2,569	2,355	214	
1943 -----			7	7	-	

1/ Includes Austria beginning 1938.

Source: Official statistics of the U. S. Department of Commerce.

<u>Item</u>	<u>United States tariff</u>		<u>Proposed negotiating country</u>
	<u>Act of 1930</u>	<u>1945 rate</u>	
	<u>Percent ad valorem</u>		
Par. 505			
Salicin -----	50	<u>1/</u> 35	UNITED KINGDOM

1/ Trade agreement with the United Kingdom, effective January 1939.

Comment

Salicin is a white crystalline powder obtained by extraction from bark of certain species of willow and poplar trees. This drug has not been produced in the United States, principally because of the lack of a cheap supply of willow bark waste such as is available to certain foreign producers, and because of the fact that the American willow tree appears to be lower in salicin content than the cultivated Belgian species. Until about 1930 a substantial part of the imported salicin was used in the United States in making various salicylates but, with the development in the twenties of synthetic salicylates in this country, salicin is no longer used for this purpose and imports are much smaller now than formerly.

Salicin is used as an antipyretic, tonic, preservative in the manufacture of drugs, and for bacteriological purposes. Although salicin has certain specialized uses, in its medicinal applications it competes to some extent with synthetic salicylates.

Germany and the United Kingdom have been the sole sources of imports, sometimes one and sometimes the other being the predominant source.

SUGAR CANDY AND CONFECTIONERY

Stat. import classes (1939): 1650.3 and 1650.5

United States production, exports, and imports, 1937-39 and 1943

Year	Production <u>1/</u>	Domestic exports <u>2/</u>	Imports for consumption from--				
			All countries (see text)	Italy	UNITED KINGDOM	CHINA	CUBA
Quantity (1,000 pounds)							
1937	2,010,000	7,189	5,672	190	1,338	38	1,995
1938	1,955,000	6,978	3,678	170	773	82	642
1939	2,050,000	7,787	3,239	265	811	124	20
1943	2,561,000	<u>3/</u> 3,154	<u>4/</u> 38,449	<u>5/</u>	2	-	26,941
Value (1,000 dollars)							
1937	321,000	1,107	618	90	158	3	50
1938	298,000	1,009	503	75	101	6	21
1939	308,000	1,146	563	122	113	8	6
1943	575,000	<u>3/</u> 863	<u>4/</u> 6,075	<u>5/</u>	3	-	4,655

^{1/} Estimated by the Department of Commerce on the basis of production returns from more than 300 confectionery and chocolate companies and reported in Confectionery Sales and Distribution, 1943.

^{2/} Includes official statistics on exports of "chocolate candy" and of "other candy" but excludes figures on "confections, n.e.s." which are largely dessert items.

^{3/} Includes 690 thousand pounds, valued at 149 thousand dollars exported under lend-lease.

^{4/} Includes 10,423 thousand pounds, valued at 1,191 thousand dollars imported from Mexico. ^{5/} Less than 500.

Source: Official statistics of the U. S. Department of Commerce.

<u>Item</u>	<u>United States tariff</u>				<u>Proposed</u> <u>negotiating</u> <u>country</u>
	<u>General rate</u>		<u>On Cuban product</u>		
	<u>Act of</u> <u>1930</u>	<u>1945</u> <u>rate</u>	<u>Act of</u> <u>1930</u>	<u>1945</u> <u>rate</u>	
	<u>Percent ad valorem</u>				

Par. 506

Sugar candy and all confectionery, n.s.p.f.:

Valued at less than 6¢ lb.----	40	40	32	32	CHINA, UNITED KINGDOM, CUBA
Valued at 6¢ or more per lb.--	40	^{1/} 20	32	^{1/} 16	do.

^{1/} Trade agreement with the United Kingdom, effective January 1939.

Comment

The classification "sugar candy and confectionery" includes not only articles generally accepted as candy and confectionery but also the competitive chocolate products such as chocolate bars made by the cocoa and chocolate-products industry. The term "candy" as used hereafter will include sugar candy, confectionery, and competitive chocolate products.

SUGAR CANDY AND CONFECTIONERY-Continued

In 1939, slightly over one-third of the United States production of candy consisted of bar candies (about 90 percent of which were chocolate bars); a third of the output was candy sold in bulk; and the rest consisted of candy sold in plain and fancy packages (including 5- and 10-cent packages and penny goods). Illinois was the leading producer of candy; other important States in order of output were Pennsylvania, New York, and Massachusetts. These four States combined produced over 75 percent of the domestic output.

For many years before the war the quantity of exports of candy exceeded the quantity of imports and the latter represented less than one-half of 1 percent of domestic consumption. The leading export markets were the Philippine Islands and the United Kingdom, with smaller quantities going to Caribbean countries, Union of South Africa, and Newfoundland and Labrador. Imports consisted of both high-quality packaged goods and of lower-priced bulk goods. Before 1939 the imports were supplied principally by the United Kingdom, and in certain years by Estonia, Latvia, and Cuba. Imports from Cuba were invoiced at foreign unit values usually averaging appreciably less than the candies from the other principal sources. Specialty products, with much higher unit values, were imported from several countries, including Italy and the Netherlands.

If the national income in the postwar period remains at the high wartime levels and if sugar is more freely available than at present, United States consumption of candy may be materially larger than in 1939. The use of sugar by the domestic candy industries has been considerably restricted by rationing since early in 1942 and this is one of the reasons why imports during the last few years have been much larger than before the war.

In the trade agreement with the United Kingdom, effective January 1, 1939, the duty on candy valued at 6 cents or more per pound was reduced by one-half. The bulk of the imports, both before and after this reduction in duty, has consisted of candy in this higher-value bracket. Presumably because of the generally disturbed economic conditions in 1939, the total imports in that year were less than in 1938. During and since the war, imports, chiefly from Cuba and Mexico, have been far larger, but the reduction in the duty has presumably been a much less important factor in bringing this about than the shortage of sugar in the United States. However, when world conditions regarding sugar supplies become more normal, it is probable that, if the present rate of duty on the higher-priced candy remains in effect, the imports, although they may be smaller than during the war years, will be materially larger than before the war.

Sugar candy and confectionery: United States imports for consumption
by classes, by principal sources, 1939

Class	: Total	: Principal sources
	: Value	
	:	:
Valued at less than 6¢ per lb. :	\$6,721 :	CHINA, \$2,167; Belgium, \$1,458;
	:	Hong Kong, \$1,163
Valued at 6¢ or more per lb.---:	556,165 :	Italy, \$121,646; UNITED KINGDOM,
	:	\$112,686; Netherlands, \$59,007;
	:	Estonia, \$47,235
	:	



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